

Message Text

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C O N F I D E N T I A L MANILA 9490

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TAGS: EGEN, ETRD, RP, US

SUBJ: US/RP ECONOMIC NEGOTIATIONS

1. IN RECENT TALKS OF EC/COM CONSELOR WITH INDUSTRY SECRETARY PATERNO, CURRENT STATUS OF GOP THINKING ON RETAIL TRADE AND THE FUTURE HANDLING OF FORESHORE LEASES HAVE BEEN REVIEWED AS WELL AS FURTHER THINKING IN GOP ON THE FORMATION OF A GOVERNMENT LAND HOLDING COMPANY. PATERNO INDICATES THAT THE GOP IS STILL OF VIEW THAT RETAIL TRADE DECREE SHOULD EMERGE AS ORIGINALLY PROPOSED, BUT THAT GOP IS JUST BEGINNING TO PULL TOGETHER AN APPROACH TO THE HANDLING OF FORESHORE LEASES, FOLLOWING APPARENT DISCARDING OF THE IDEA OF SERVICE CONTRACTS. PATERNO INDICATES ALSO THAT WHILE HIS THINKING IS STILL VERY TENTATIVE THE IDEA OF A GOVERNMENT LAND HOLDING COMPANY WHICH COULD ACT AS AN ESCROW TITLE HOLDER IS INCREASINGLY ATTRACTIVE WITHIN GOP. IT HAS BEEN SUGGESTED TO PATERNO THAT THE AMERICAN BUSINESS COMMUNITY STILL STRONGLY PREFERS DELETION OF THE TERM "MANUFACTURERS AND PROCESSORS" FROM THE RETAIL TRADE DECREE AND HE HAS BEEN REMINDED THAT THE U.S. PANEL MADE SUGGESTION ALONG SUCH LINES DURING RECENT L-L TECHNICAL TALKS.

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2. PATERNO INDICATED THAT HE PERSONALLY UNDERSTOOD THE

CONCERNS OF THE BUSINESS COMMUNITY RESPECTING LIMITATION OF THE RETAIL TRADE REDEFINITION TO MANUFACTURERS AND PROCESSORS BUT HE SAID THE PREVAILING VIEW IN THE PHILIPPINE GOVERNMENT CONTINUED TO BE THAT THIS LANGUAGE BE LEFT IN THE PROPOSED DECREE. HE CONTINUED TO STRESS, HOWEVER, THAT GOP INTENDED, AS EARLIER INDICATED, TO COME OUT WITH A PRESIDENTIAL STATEMENT SIMULTANEOUSLY WITH THE DECREE, STATING THE INTENT OF THE PRESIDENT WITH THIS DECREE IS TO EXEMPT FROM COVERAGE OF THE RETAIL TRADE ACT BULK SALES, INDUSTRY TO INDUSTRY TRANSACTIONS, INDENT, HOSPITAL AND SALES TO THE GOVERNMENT. COMMENT. THERE IS NOT DOUBT THAT IN ITS INTERNAL REVIEW OF THE RETAIL TRADE ISSUE GOP IS HAVING GREAT DIFFICULTY OBTAINING AGREEMENT ON EXPLICIT ALLOWANCE OF PURELY WHOLESALE TRANSACTIONS, EVEN THOUGH PATERNO SAYS THAT THERE IS NO DIFFICULTY WHATSOEVER WITH THE IDEA OF SELLING IN ALLIED AND SUBSIDIARY LINES ON THE PART OF THE MANUFACTURERS AND PROCESSORS.

3. STATING THAT AN EARLIER DECREE ON THE SUBJECT HAD NOT PROSPERED (TEXT SENT DEPARTMENT MANILA 8456), PATERNO HAS SAID THAT HE IS READY TO GET BACK TO WORK ON THE LONG RUN SOLUTION TO THE FORESHORE LEASE PROBLEM. HE SAYS THERE ARE TWO CATEGORIES OF ISSUES TO BE DEALT WITH (A) LAND HOLDING ARRANGEMENTS AS SUCH AND (B) THE QUESTION OF TITLE TO IMPROVEMENTS. ARNOLD HAS SUGGESTED THAT PATERNO AND HE, AND SUITABLE REPRESENTATIVES OF THE BUSINESS COMMUNITY, SHOULD GET TOGETHER AND DEVELOP AN APPROACH. IT WAS SUGGESTED IN RESPONSE THAT CLOSE TRIANGULAR DRAFTING SITUATIONS POSED PROBLEMS AND THAT PERHAPS THE BEST WAY TO HANDLE PROPOSALS ON THE SUBJECT WOULD BE THE SAME AS IN EARLIER CONSIDERATION OF RETAIL TRADE AND ANTI-DUMMY DECREES.

4. ASKED IF HE HAD DONE ANY FURTHER THINKING ABOUT THE LAND HOLDING COMPANY HE HAD MENTIONED TO THE CHAMBER SOME TIME AGO (SEE MANILA 7623), PATERNO SAYS THAT HE IS NOW DOING SOME WORK, THAT HE IS STILL THINKING IN TERMS OF A PORT AUTHORITY (RECENTLY FORMED AND PARTIALLY STAFFED) PERHAPS ACTING AS THE AGENT IN THE CASE OF FORESHORE LEASES. THE NDC WOULD DEAL WITH PRIVATE LAND HOLDINGS. HE NOTES THAT OF COURSE THIS IS A NEW FUNCTION FOR THE NDC
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AND THE ORGANIZATION WOULD NEED SOME CHANGES WHICH HE DOES NOT SPECIFY. ON SUBSTANCE PATERNO SAID HE SEES THE LAND HOLDING COMPANY AS AN ALTERNATE WAY TO ACHIEVE A POSSIBLE TRANSFER AS BETWEEN WILLING BUYER AND WILLING SELLER; THAT HE SEES THE LAND HOLDING COMPANY EITHER AS AN ULTIMATE BUYER OR AS AN ESCROW HOLDER. HE INDICATED THAT IN THE LATTER SITUATION THE AMERICAN SELLER MIGHT BE ABLE TO SPECIFY MINIMUM TERMS AND CONDITIONS UNDER WHICH

NDC COULD COMPLETE SALE TO AN ULTIMATE BUYER.
SULLIVAN

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